

Annual Review of Base Rates for Fuel Costs for Duke Energy Carolinas, LLC

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

COVER SHEET

DOCKET

NUMBER: 2009 - 3 - E

(Please type or print)

Submitted by: Catherine E. Heigel

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☒ Request for item to be placed on Commission's Agenda expeditiously

☒ **Other: Motion, Settlement Agreement, Supplemental Testimony, Testimony Adopting Culp Testimony**

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input checked="" type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input checked="" type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-3-E

In Re:

Annual Review of Base Rates
For Fuel Costs for
Duke Energy Carolinas, LLC

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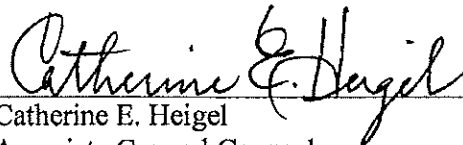
CERTIFICATE OF SERVICE

I, Catherine E. Heigel, hereby certify that a copy of Duke Energy Carolinas, LLC's (1) Joint Motion for the Scheduling of a Settlement Hearing to Approve Settlement Agreement, (2) Settlement Agreement, (3) Direct Testimony of Thomas C. Geer Adopting Testimony of David E. Culp, and (4) Supplemental Testimony and Exhibits of Jane L. Mc Maneus have been served by electronic transmittal or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to:

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC, 29205
Email: selliott@elliottlaw.us

Jeffrey M. Nelson, Counsel
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC , 29201
Email: jnelson@regstaff.sc.gov

This the 20th day of August 2009.



Catherine E. Heigel
Associate General Counsel
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**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

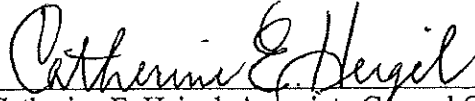
DOCKET NO. 2009-3-E

In Re:)	
)	
Annual Review of Base Rates)	JOINT MOTION FOR THE
for Fuel Costs for)	SCHEDULING OF A SETTLEMENT
Duke Energy Carolinas, LLC)	HEARING TO APPROVE
)	SETTLEMENT AGREEMENT
)	

Pursuant to the Public Service Commission of South Carolina ("Commission") Settlement Policies and Procedures, Duke Energy Carolinas, LLC ("Duke Energy Carolinas"), the South Carolina Office of Regulatory Staff ("ORS") and the South Carolina Energy Users Commission ("SCEUC") (collectively referred to as the "Parties" or sometimes individually as a "Party") move the Commission to schedule a Settlement Hearing to consider and approve a comprehensive Settlement Agreement entered into by and between the Parties being filed this same date. The Settlement Agreement is attached to this motion. The Parties are filing testimony in support of the settlement concurrently with the filing of this motion. All witnesses will be present at the Settlement Hearing to support the settlement. The parties propose that the originally scheduled hearing date, August 27, 2009, be used as the date for the Settlement Hearing.

The Settlement Agreement resolves all issues involved in this proceeding and establishes the fuel factors to be charged by Duke Energy Carolinas for the first billing cycle in October 2009 through the last billing cycle in September 2010.

WHEREFORE, the Parties move the Commission to schedule a settlement hearing and approve the attached Settlement Agreement.



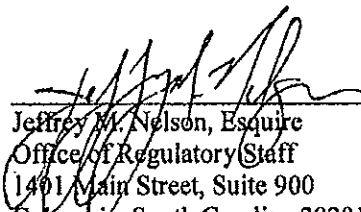
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Attorney for SC Office of Regulatory Staff

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-3-E
August 20, 2009

IN RE:

Annual Review of Base Rates for Fuel Costs)	SETTLEMENT AGREEMENT
for Duke Energy Carolinas, LLC)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff ("ORS"), the South Carolina Energy Users Committee ("SCEUC"), and Duke Energy Carolinas, LLC ("Duke Energy Carolinas") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina ("Commission") pursuant to the procedure in S.C. Code Ann. §58-27-865 (Supp. 2008), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Michael L. Seaman-Huynh and Robert A. Lawyer, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record before the Commission the redacted and unredacted pre-filed direct testimony and exhibits of Duke Energy Carolinas witness Ronald A. Jones, and the pre-filed direct testimony and exhibits of Vincent E. Stroud, John J. Roebel, David C. Culp as adopted by Thomas C. Geer, and Jane L. McManeus, without objection or cross-examination by the Parties. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits, the supplemental testimony and revised direct testimony exhibits (also referred to as Revised McManeus Exhibits 5, 6, 7 and 9) of Duke Energy Carolinas witness Jane L. McManeus supporting the Parties' settlement, and this Settlement Agreement. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. ORS's review of Duke Energy Carolinas' operation of its generating facilities resulted in ORS concluding that Duke Energy Carolinas has made reasonable efforts to maximize unit availability and minimize fuel costs. Additionally, ORS has determined that Duke Energy Carolinas took appropriate corrective action with respect to any outages that occurred during the review period.

3. As a compromise to positions advanced by Duke Energy Carolinas, ORS, and SCEUC, all Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties. The Parties agree that:

4. ORS analyzed the cumulative over-recovery of base fuel costs that Duke Energy Carolinas had incurred for the period June 2008 through May 2009 totaling \$44,315,294. ORS added the projected over-recovery of \$1,886,849 for the month of June 2009, the projected over-recovery of \$1,026,516 for the month of July 2009, the projected under-recovery of (\$615,336) for the month of August 2009 and the projected under-recovery of (\$5,673,157) for the month of September 2009, to arrive at a cumulative over-recovery of \$40,940,166 as of September 2009. Duke Energy Carolinas' cumulative over-recovery for base fuel costs, per its supplemental testimony in this docket, as of May 2009 totals \$44,312,000 and as of September 2009, the cumulative over-recovery totals \$40,938,000. The difference between Duke Energy Carolinas' and the ORS's cumulative over-recovery as of actual May 2009 totals \$3,294. The difference between Duke Energy Carolinas' and ORS's cumulative over-recovery, as of September 2009, totals \$2,166.

ORS analyzed the cumulative over-recovery of environmental costs that Duke Energy Carolinas had incurred for the period June 2008 through May 2009 totaling \$3,514,786. ORS added the projected over-recovery of \$84,217 for the month of June 2009, the projected over-recovery of \$131,042 for the month of July 2009, the projected over-recovery of \$113,333 for the month of August 2009 and the projected over-recovery of \$239,443 for the month of September 2009, to arrive at a cumulative over-recovery of \$4,082,821 as of September 2009. Duke Energy Carolinas' cumulative over-recovery for environmental costs, per its supplemental testimony in this docket, as of May 2009 totals \$3,515,000 and as of September 2009, the cumulative over-recovery totals \$4,084,000. The difference between Duke Energy Carolinas' and the ORS's cumulative over-

recovery, as of actual May 2009, totals \$214. The difference between Duke Energy Carolinas' and ORS's cumulative over-recovery, as of September 2009, totals \$1,179.

The Parties agree to accept all accounting adjustments as put forth in ORS witness Lawyer's pre-filed direct testimony related to the over-recovery on fuel and environmental costs.

5. The Parties agree that the fuel factors contained in the supplemental testimony and revised exhibits of Duke Energy Carolinas' witness Jane L. McManeus represent the appropriate fuel costs, environmental costs, and combined projected fuel factors for Duke Energy Carolinas to charge for the period beginning with the first billing cycle in October 2009 through the last billing cycle of September 2010 by customer class as set forth in the table below:

Class of Service	SC Base Fuel Factor from McManeus Revised Exhibit 6 (¢/kWh)	SC Environmental Factor from McManeus Exhibits 7 (Revised) and 8 (¢/kWh)	SC Combined Projected Fuel Factor From McManeus Revised Exhibit 9 (¢/kWh)
Residential	1.9606	0.0047	1.9653
General/Lighting	1.9606	0.0058	1.9664
Industrial	1.9606	0.0038	1.9644

6. The Parties agree that the fuel factors as set forth in Paragraph 5 above are consistent with S.C. Code Ann. §58-27-865.

7. The Parties agree that in an effort to keep the Parties and Duke Energy Carolinas' customers informed of the over/under recovery balances related to fuel costs and of Duke Energy Carolinas' commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, Duke Energy Carolinas will provide to SCEUC, ORS, and where applicable, its customers the following information:

- (a) copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and
- (b) forecasts of the expected fuel factor to be set at its next annual fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. Such forecasts will be provided in the 4th quarter of the calendar year prior to the next annual fuel proceeding and in the 1st quarter of the calendar year of the Company's next annual fuel proceeding. Duke Energy Carolinas will use commercially reasonable efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

8. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues currently pending in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

9. The Parties agree that any and all challenges to Duke Energy Carolinas' historical fuel costs and revenues for the period ending May 2009 are not subject to

further review; however, fuel costs and revenues for periods beginning June 2009 and thereafter shall be open issues in future proceedings and will continue to be tried-up against actual costs in such proceedings held under S.C. Code Ann. §58-27-865 (Supp. 2008).

10. This written Settlement Agreement contains the complete agreement of the Parties. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission declines to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty, within 3 days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

11. This agreement shall be effective upon execution of the Parties and shall be interpreted according to South Carolina law.

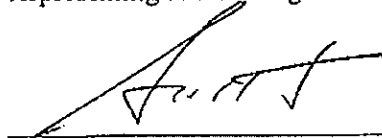
12. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. §58-27-865 (Supp. 2008) in any future proceeding. This Settlement Agreement in no way precludes any party herein from advocating an alternative methodology under S.C. Code Ann. §58-27-865 (Supp. 2008) in any future proceeding.

13. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

14. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

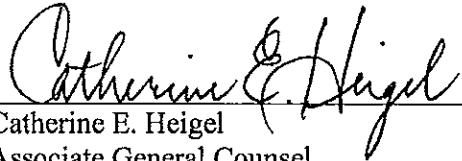
(Signature Pages Follow)

Representing and binding South Carolina Energy Users Committee:

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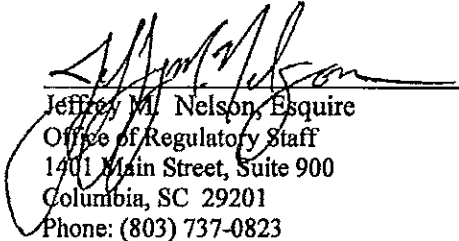
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Representing and binding Duke Energy Carolinas, LLC:

A handwritten signature in cursive script, reading "Catherine E. Heigel", is positioned above a horizontal line.

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